INDIA'S TRADE TIES WITH EUROPEAN UNION NATIONS: A STUDY IN RETROSPECT AND PROSPECT

SYNOPSIS

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Submitted By

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1. International Trade: Meaning and Evolution

Trade is defined as an engine creating growth, reducing poverty, and resulting in increased job opportunities. International trade is not something that has emerged over the last decade or even a century, rather it is a phenomenon that has sustained throughout the trail of civilization. How the earliest of the civilizations, namely- the Indus Valley or Egyptian civilization interacted with one another in terms of exchange of goods, ideas, and cultural practices can also be included under the purview of international trade. Since then, the trade has just evolved and transformed into the present structure which is internationalized and interwoven. Over time, the countries have realized that they cannot survive in isolation. They need to be integrated to fulfill each other's needs, as no country can be self-reliant. This entire realization has led to the emergence of the term 'globalization', which simply means turning the whole world into a 'global village', to have shared benefits of shared prosperity. As international trade increases so does the employment in the exporting and importing countries, and as a result of this, the overall economic condition of the involved countries also improves **(International Monetary Fund).**

With the emergence of the concept of international trade economies throughout the world have opened up transforming into a common village. As per the statistics of WTO, the current world trade is roughly 45 times than what it was in the days of GATT. The average growth rate is 4500% from 1950 to 2022 **(WTO)**. The overall world trade values have inflated by almost 400 times since 1995 (WTO). The concept has evolved through a sequence of concepts starting from bilateral trade, multilateral trade, and regional trade.

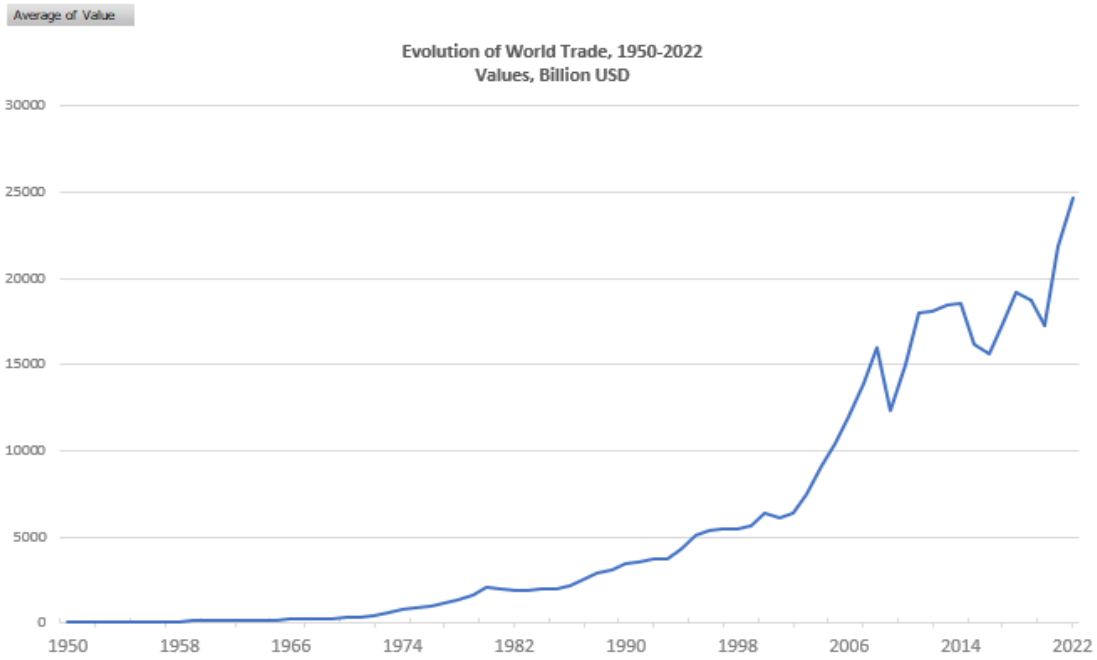

Figure 1: Evolution of World Trade, 1950-2022 (Billion USD)
(Source: World Trade Organization, Statistics)

Bilateral trade refers to the exchange of goods and services between two nations that have come together to promote trade and investments among each other by eliminating tariffs, quotas, and other forms of trade restrictions. Bilateral trade agreements are formed with the idea of mutual growth by sharing each other's resources and providing a new market to each other. This mainly involves two countries and hence uses the term 'bi'. With time, the idea of bilateral trade has evolved into Multilateral trade, which involves three or more countries who have come together to regulate the trade between trade among themselves. The main intention is to lower the trade barriers against which an increased degree of economic integration and growth can take place (unescwa.org). These are some of the most effective ways of liberalization of trade and integration of the world economy. Multilateral trade agreements can be formulated by the countries irrespective of the fact that they are lying in the same region or not. It's more like- one country is dealing with two or more than two countries simultaneously under a common charter of trade. Another such tool for global integration is Free Trade Agreements; these are more advanced in form and serve the growing needs of the nations.

Free Trade Agreements are defined as treaties or agreements between two or more countries that are formulated to eliminate or reduce the tariffs, taxes, and duties on goods and services being traded between them (wto.org). Free Trade Agreements are a strategic tool to catalyze international, bilateral,

or multilateral trade between two countries or a group of countries (World Bank Documents and Reports**)**. FTAs have emerged to channel the effects of globalization to realize the benefits of resources available worldwide on a shared basis.

Although the trail of trade agreements originated and continued ever since the evolution of mankind followed by the growing civilizations, no formal treaty or agreements were signed until 1844, when the Treaty of Wanghia, which was the first original trade agreement signed by the U.S.A. and China. It formalized the rapidly developing trade ties between the U.S.A. and China which allowed the American merchants to find their way into China and paved the way for commercial and cultural exchanges (daily.jstor.org). It elevated the status of the U.S. and helped it frame a trade policy in Europe for years to come. It is one of the prime reasons behind the strong role of America being played in the global markets (daily.jstor.org).

In today's time, such trade agreements are increasing significantly due to the potential benefits being served by such agreements to both trading partners on a shared basis. According a data by the World Bank, 50 trade agreements were counted to be in force by 1990. By the year 2017, the number of trade agreements increased to 280. In another data report by WTO, the number of trade agreements in force as of 1st August 2023 is counted to be 360. The increasing number of free trade agreements is a sign that signifies its importance to the ever-changing and ever-growing world of the 21st century. Free Trade Agreements is an umbrella term that expands through different forms of agreements when it comes to the application and implementation of the idea of seamless trade and development.

1.1 Regional Trade Blocs

Regional Trade Blocs are traditionally defined as the agreement between two or more countries from the same region coming together under a common charter defining trade policies for mutual benefits and protecting them from imports from any non-member. The development takes place not only in economic terms but also in non-economic terms like political openness, cultural integration, improvement in lifestyle, and various other dimensions. Regional Trade Blocs are one such tool of international trade that have some unique characteristic features differentiating it from the other forms of free trade agreements. A regional trade bloc is typically defined as *"a treaty between two or more governments that define the rules of trade for all signatories"* (Worldbank.org). Unlike other forms of

free trade agreement, RTBs primarily involve those countries that are lying in a particular region or within close geographical proximity of each other. The basic aim of any RTB is to integrate economically, socially, and culturally in such a way so that it results in the overall development of that particular region. Regional trade blocs emphasize the countries to become more open and integrated with the other regional economies by being liberal in the trade restrictions among themselves. Recent research shows that trade liberalization has resulted in an average growth of 1.0 to 1.5 percentage points of economic growth (World Bank Group). This has further led to a hike of 10 to 20 percent of income in a decade (World Bank Group). Since 1990, the global income has increased by 24 percent, parallel to which the income of the poorest population globally has increased by 50 percent, because of the constant growth in international trade (World Bank Group).

Table 1 shows some of the major regional trade agreements around the world.

Table 1: List of Major Regional Trade Blocs

Name of the Trade Agreements	Establishment Date	Aim	No. of Member Countries
AFRICA			
1. African, Caribbean, and Pacific Group of States (ACP Group)	6th June, 1975	To manage their preferential economic and aid relationship with the EU.	77
2. Common Market for Eater nans Southern Africa (COMESA)	8th Dec, 1994	To the expansion of free trade in the zone.	21
3. East African Community (EAC)	1967	To have a common market for the member countries and to expand the free trade in the area.	8
4. Economic Community of West African States (ECOWAS)	28th May, 1975	To achieve "collective self-sufficiency"	15
AMERICA			
1. Andean Community of Nations (CAN)	26th May, 1969	To promote harmonious development through economic integration.	5
2. Caribbean Community and Common Market (CARICOM)	4th July, 1973	To promote economic integration and development, especially among the less developed countries	15

3. North American Free Trade Agreement (NAFTA), now known as USMCA	17th December, 1992	To eliminate trade barriers, promote fair competition, increase investment opportunities, provide protection of intellectual property rights, and create procedures to settle disputes.	3
ASIA			
Asia Pacific Economic Cooperation (APEC)	7th November,1989	To promote trade and investment in the Pacific Basin	21
Regional Comprehensive Economic Partnership(RCEP)	15th Nov. 2020	To establish a modern, high-quality, comprehensive partnership for the expansion of regional trade.	15
Asia Pacific	1989	To create greater prosperity for the people of the region by promoting balanced, sustainable, and inclusive economic growth (apec.org)	21
South Asian Free Trade Area (SAFTA)	2004	To increase economic cooperation and integration in the region.	8
South Asian Association for Regional Cooperation (SAARC)	8th Dec. 1985	To promote economic development and regional cooperation.	8
Association of Southeast Nations (ASEAN)	8th Aug. 19967	To accelerate economic growth, cultural integration, and social progress for the development of the region.	10
Arab Cooperation Council (ACC) SEPARATE REGION	16th February, 1989	To promote economic cooperation and integration, possibly leading to a common Arab Common Market	4
EUROPE			
Black Sea Economic Cooperation Zone (BSEC)	25th June, 1992	To enhance regional stability through economic cooperation	11
European Free Trade Association (EFTA)	4th January, 1960	To promote the expansion of free trade	4
European Union	17th March, 1948	To promote peace by strengthening the values and well-being of its citizens.	27

(Source- https://www.cia.gov/)

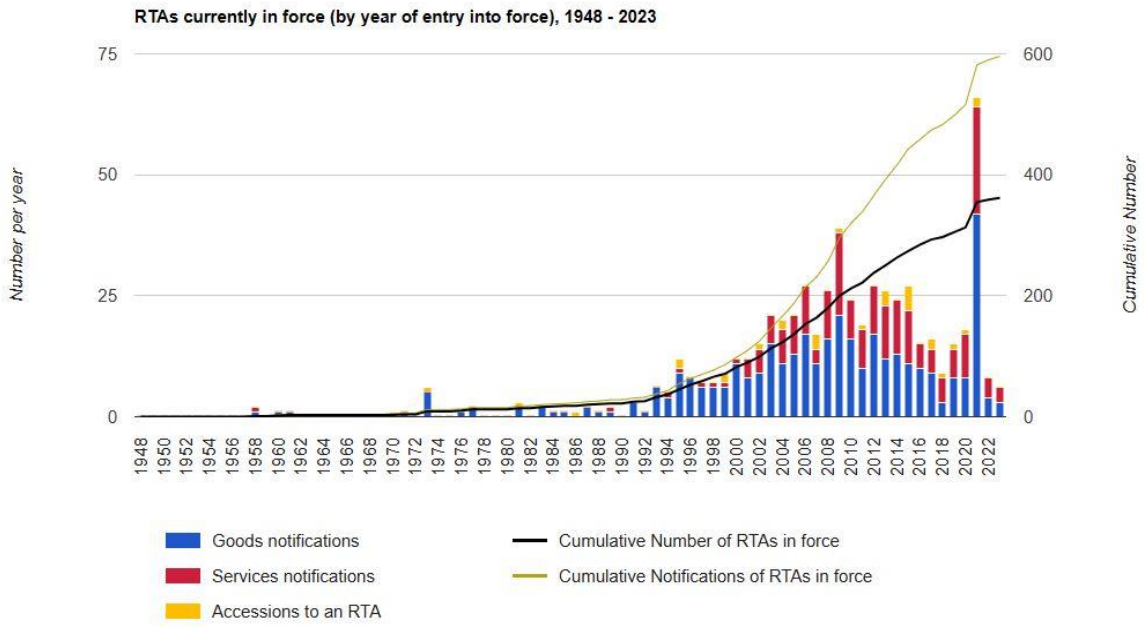
RTAs currently in force (by year of entry into force), 1948 - 2023
Number per year
Cumulative Number
75
50
25
0
600
400
200
0
1948 1950 1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022
Goods notifications
Services notifications
Accessions to an RTA
Cumulative Number of RTAs in force
Cumulative Notifications of RTAs in force

Figure 2: RTAs currently in force (1948-2023)
(Source: WTO Data)

Present Scenario of India's International Trade

India being a prominent state since the ages of civilization has also witnessed the evolution of international trade. The exchange of goods and ideas between the East and the West has been taking place ever since the emergence of Civilization. The emergence of the Silk Route (2nd century BC to 14th Century AD) was the result of the need for international trade itself. The route flourished on the notion of exchange of goods and ideas from the west of the world to the east of the world. Originating from Rome, passing through Afghanistan, the Great Wall of China, and the Mediterranean Sea, the Silk Route, extended over a distance of 4,000 miles (6,400 km), has witnessed the trail of exchanging merchandise and ideologies (Britannica). It passed through India as well allowing it to be a part of the history of international trade. International trade reflects the connection and integration of economies worldwide and becoming a common marketplace that has the potential to serve the needs of society as a whole.

The composition and pattern of Indian trade have changed over time. Before 1813, the trade was majorly focused on manufactured goods, metals, luxury products, and primary articles. However, with the emergence of the 19th century, the composition changed and agricultural products became an integral part of the Indian trade picture. The trade portfolio of India has undergone many changes in the 21st century due to development in terms of technology, infrastructure, services, and favorable

conditions for doing business. The figure given below is a snapshot of the diversified product portfolio that India has been exporting over the last decade.

India's export basket has diversified over FY2013–FY2023

	Share of exports in overall exports in FY13	Share of exports in overall exports in FY23	% change
Traditional basket	**19.3%**	**12.4%**	**-6.8%** ↓
Gems and jewelry	14.5%	8.4%	-6.0%
Textiles (excluding readymade garments)	4.8%	4.0%	-0.8%
High-value basket	23.6%	32.1%	8.5% ↑
Engineering goods	19.0%	22.3%	3.4%
Electronic goods	2.7%	5.6%	2.9%
Organic and inorganic chemicals	2.0%	4.2%	2.2%

Figure 3: Diversified export portfolio of India over a decade (2013-2023)
(Source: Centre for Monitoring Indian Economy (deloitte.com/insights)

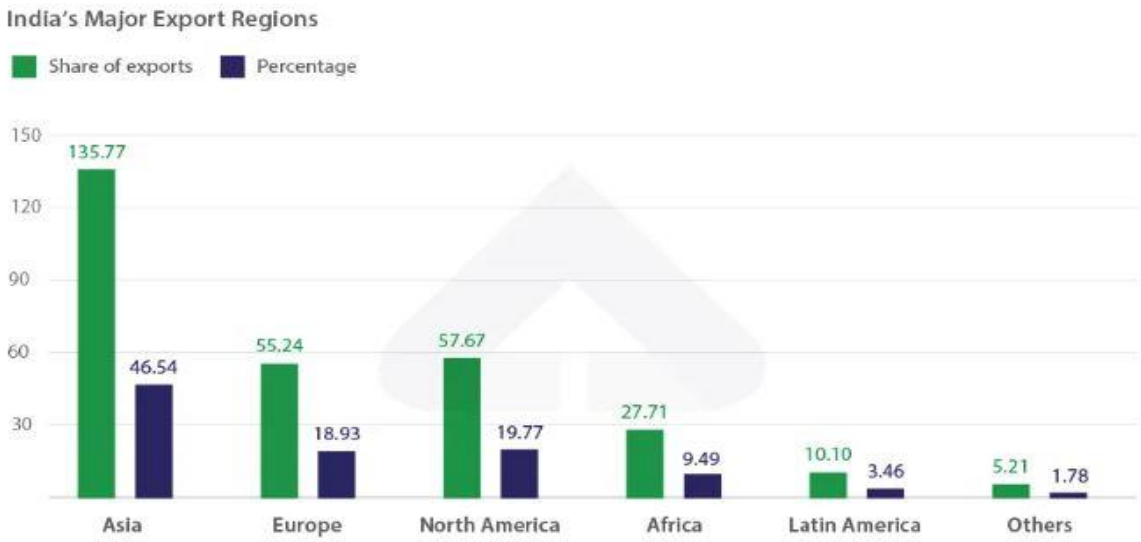

Figure 4: Region-wise major trade partners of India over the last decade
(Source: India-briefing.com)

India has always been an active trading economy in this ever-growing world, especially in Asia, that's why it has been holding a major trade share in this continent. If we look at the bigger picture then, it is not only within Asia, but India has shared good and friendly relations with many of the countries in

the Western world. The above-mentioned graph shows the major region-wise trading partners of India over the last decade.

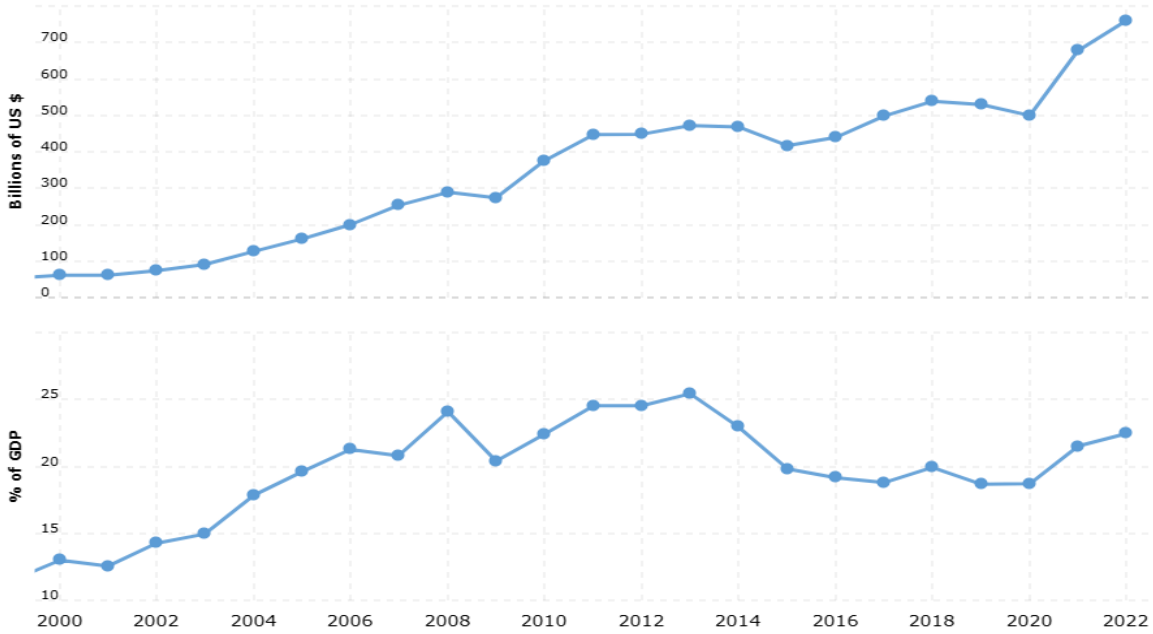

Figure 5: Evolution of Indian trade, 2000-2022
(Source: World Bank Group)

Talking of the present scenario, India's overall exports of merchandise and services (Apr.-Dec. 2022) are growing at an average rate of 16.11 percent **(pib.gov.in)**. The domestic demand in India is observed to be steady despite a global slump (Apr.-Dec. 2022) and is expected to grow at 25.55 percent over the last year **(pib.gov.in).**

Figure 6: Overall trade of India
(*Source: pib.gov.in)*

With the gradual and constant growth of India as an economy, its appetite for resources and need for tapping into new markets is constantly increasing as well, resulting in being involved in more and

more international trade via signing new free trade agreements and being a part of different RTBs.

1.2 European Union

European Union (EU) is an international organization which consists of 27 active members. The member countries are from the European region itself, hence this international organization can be broadly categorized as a Regional Trade Block which is working on the basic notion of the development of the region and enhanced human rights. This organization governs the region through common economic, political, and security policies. The EU was initially confined to Western Europe only, but then witnessed robust growth and expanded over central and Eastern Europe in the 21st century itself (britannica.com). As of now the member countries of the European Union are- Austria, Bulgaria, Belgium, Croatia, Cyprus, The Czech Republic, Denmark, Estonia, Finland, France, Greece, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. Despite being one of the founding members of the EU, The United Kingdom is not a member of the EU. It left the organization in 2020 (BREXIT).

Maastricht Treaty, which came into force back in 1993, on the 1st of November, is the origination point of the European Union. The enhancement of European political and economic integration through a single currency (the Euro) was the basic agenda of this treaty. The treaty also laid down a common and unified security and foreign policy along with common citizenship rights. It also laid the guidelines to advance cooperation in immigration, asylum, and judicial affairs. EU as an organization has also been felicitated with the Nobel Prize for Peace, back in 2012, as it was recognized for the promotion of peace and democracy in the region of Europe (britannica.com).

EU27 has significantly accounted for a total of 14% of the world's trade in goods, as of 2021 (european-union.europa.eu).

The following figure represents an infographic about the trade share of EU27 in the world from 2020.

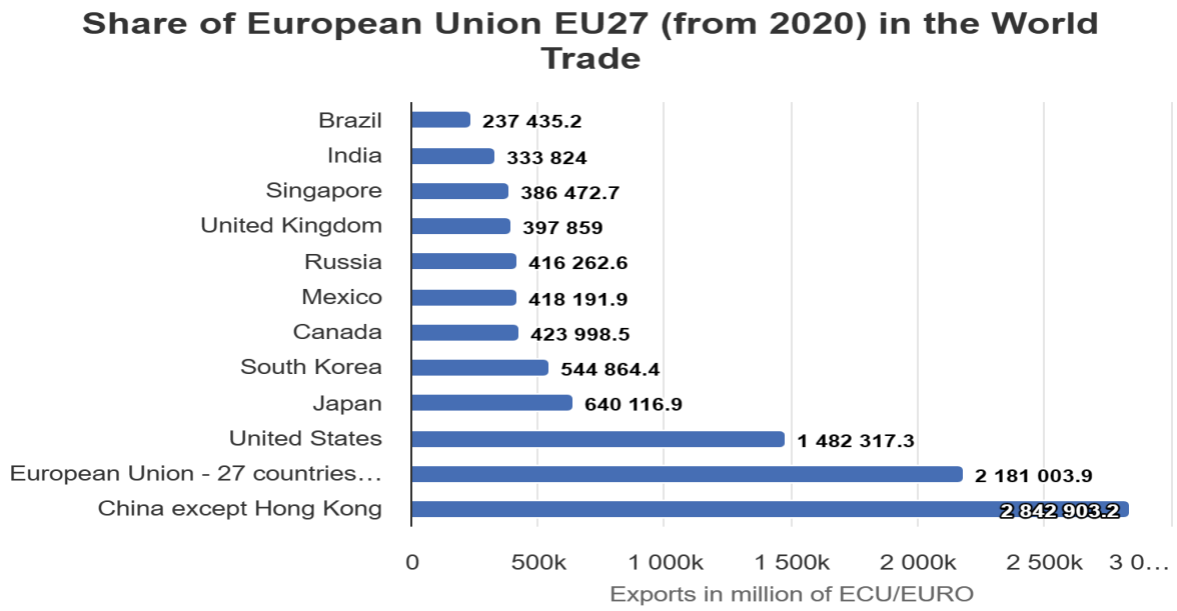

Figure 7: Trade share of EU27 in the world from 2020
(Source: Eurostat)

2. REVIEW OF LITERATURE-

Review of Literature is the foundation based on which a study is built. It not only reveals what has been done so far but also tells what has to be done to ameliorate the current scenario of knowledge. To analyze what has been done and what are the possible research gaps, the researcher has done a thorough review of the literature which has been further classified into the following broad heads-

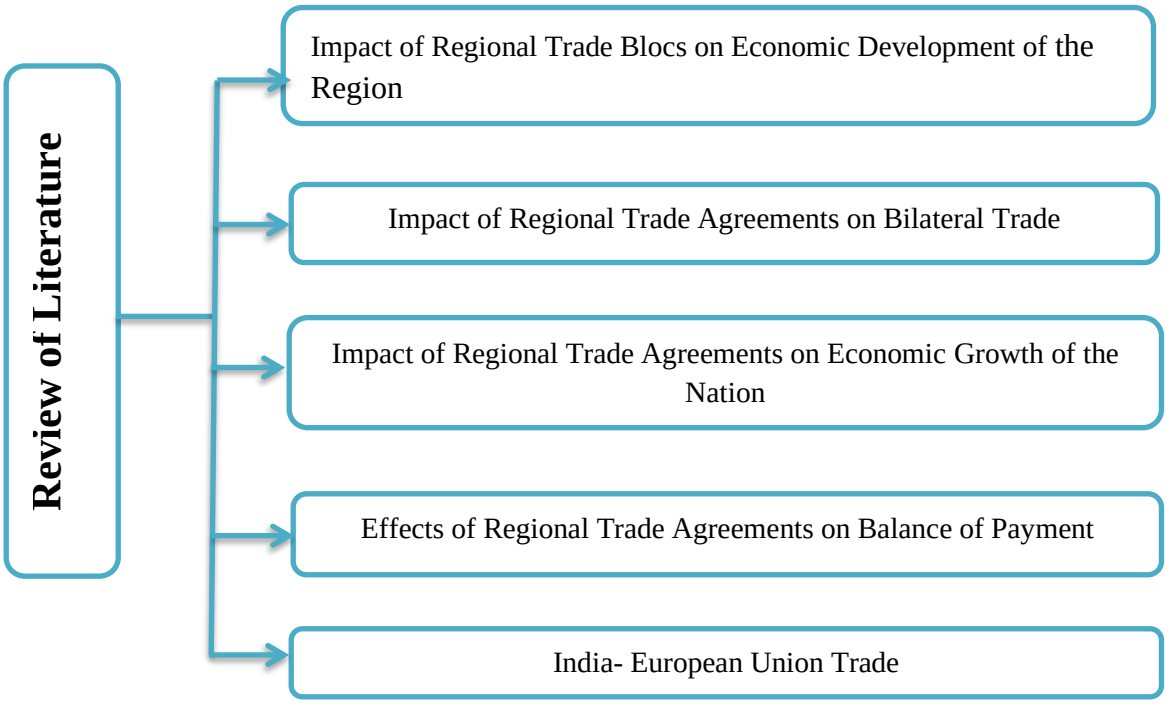
Review of Literature
Impact of Regional Trade Blocs on Economic Development of the Region
Impact of Regional Trade Agreements on Bilateral Trade
Impact of Regional Trade Agreements on Economic Growth of the Nation
Effects of Regional Trade Agreements on Balance of Payment
India- European Union Trade

Figure 8: Literature Review Map

2.1 Impact of Regional Trade Blocs on Economic Development of the Region

Trading blocs are an important tool for facilitating bilateral and multilateral trade all around the world (World Bank Documents and Reports). As a concept, it is much wider than bilateral trade, and, in some sense, it is inclusive of bilateral trade. Here, the involved countries relax their restrictions on the movement of various types of resources, goods, services, capital, and persons among their regional trading bloc, whereas the trade restrictions and their respective rates by each country from the trading bloc with the rest of the world is up to the discretion of those particular countries. The effect of region-wide agreements on the trade of paired countries is positive on the trade of natural resources, industrial materials, and consumption goods (Okabe Misa, 2021). The study examined the impact of existing regional FTAs on the trade flows in East Europe. Oakbe has taken the ASEAN trade bloc for this particular study. Thangaveluv Shandre M. et al. (2021) found a positive impact of preferential tariff margins on the utilization of FTA. They have studied the free trade agreement of ASEAN with Australia and New Zealand together, namely- the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA). They have examined the effect of the AANZFTA on the imports to Australia from the ASEAN countries. They have also analyzed the trade and investment along with the changing direction, composition, and patterns of the same. The contribution of regional trade blocs to the development of the region as a whole is found in many studies. David Olseum et al. (2021) examined the contribution of selected 6 African regional economic communities to the global exports of African countries. For this purpose, the authors have undertaken some African regional trading blocs' like- COMESA, EAC, ECCAS, SACU, SADC, and ECOWAS. As a result of their study, they found that COMESA is the highest contributor followed by EAC, ECOWAS, and SADC respectively. Not just the movement of goods, but the movement of funds in the form of FDI is also subjected to relaxed restrictions and better returns when it comes to the formation of regional trade blocs (Asongu Simplice et al., 2018). The determinants of FDI and how those factors further determine the direction of FDI in emerging and fast-growing economies have been examined. The market size, infrastructure availability, and trade openness were found to be the key determinants of FDI inflow, while the availability of natural resources and institutional quality were found to be insignificant determinants. They took the reference of BRICS and MINT nations.

Mihani Sibulele (2022), has conducted a thorough empirical review of the literature studying the impact of regional trade agreements on trade. The review has been structured based on the estimates of the gravity model and econometric methods used. The study found the PPML estimator to be more reliable than the OLS while determining the trade through the gravity model, along with it the results produced by the FEM were found to be more consistent as compared to that of the REM.

The importance of a country's production capacity through the higher income elasticity of exporters corresponding to that of the importers and the growing importance of the role played by the market size of the economies has been highlighted by Inmacuada Martinez (2003). He evaluated the effect of preferential agreements amongst various economic blocs; he also determined the areas to determine the factors affecting the bilateral trade among countries. The study claimed that fewer exports by a country given if the country has a higher population of exporters indicates the absorption effect. For this purpose, the author has undertaken a sample of 47 countries from different regional trade blocs such as the European Union (EU), North- American Free Trade Area (NAFTA), Caribbean Community (CARICOM), Centro-American Common Market (CACM) and Mediterranean Countries (MEDIT). A larger population of exporters hurts exports as this leads to the absorption effect and the population of importers has a significant positive effect on the export of a country indicating that a bigger country tends to import more than a smaller country (Martinez Zarzoso et al., 2001). The authors have undertaken a sample of 20 countries from two regional trade blocs, namely- MERCOSUR and the European Union. They found a positive relation between exporter and importer incomes on bilateral trade. Along with it they also mentioned a significant role played by factors like- infrastructure, differences in incomes, and exchange rates on the bilateral trade of a country.

The cross-border movement of resources among a particular trade bloc is also one of the concerns undertaken during the formulation of a regional trade bloc (Keith and Belinga, 2021). They studied the implementation of the integration policy of the European Union through the gravity model to estimate the success of cross-border movement and the underlying cost of the four freedoms, namely- goods, services, person, and capital). They found that a high level of barriers is still being imposed on the movement of the four freedoms which has hindered the welfare of the member countries up to a certain extent.

2.2 Impact of Regional Trade Agreements on Bilateral Trade

Bilateral trade is a tool to channel and catalyze the effects and impacts of international trade in a formalized and structured manner. Under this concept, the involved countries come together to set concessional rates of trade of goods and services among themselves. This facilitates better and healthy movement of resources from one country or region to another.

The members of a particular RTA can raise their bilateral trade as compared to those countries that are not a part of any RTA but are still trading with each other (Yao Xing et al., 2021). The estimation of the effect of RTAs on the bilateral trade was done through the structural gravity models analysis. The authors claimed that RTAs can promote a wide range of product liberalization by stimulating the trade of intermediate goods and establishing global networks. There is a positive effect of economic size and per capita GDP on the country's bilateral trade (Belinga**,** 2015). The researcher has analyzed Cameroon's bilateral trade with 28 European countries. They employed gravity model analysis on the bilateral trade flows of EU- Cameroon, to draw important implications regarding the trade policy of Cameroon. There is a significantly positive relationship between the economic size of the countries and their respective trade volumes, while the distance between the two trading countries reportedly hurts the trade volumes. The population as a variable seems to have no such effect on the trade (Karagoz Kadir et al., 2010). Variables like geographical proximity, income size, and cultural ties of the paired countries were found to have a positive impact on the trade between paired countries Batra Amit (2004).

2.3 Impact of Regional Trade Agreements on Economic Growth of the Nation

Bilateral trade accelerates the growth rate of the involved economies (Hur Jung, 2012). The same has been put to the test through a non-parametric matching approach which can be applied to a wide range of data structures (Park Cheolbeom, 2012). The results of the study showed that FTAs have a significant impact on escalating the trend of growth per capita GDP within a given FTA. Shujiro Urata (2010) analyzed the evolution of the RTAs concerning the growing trends of regionalism in the 1990s. He has explained why FTAs have gained popularity over multilateral trade liberalization. The dynamism of RTAs and rigidness of FTAs have been described. The significance of RTAs for the world and Japan has been explained. He emphasized that; if Japan hadn't joined the RTAs, then it

might have suffered heavy consequences from being excluded from the development in the region. The RTAs create significantly large markets in the region and in the world (Mensbrughe Der Van, 2020). In the study by Marylla Maliszweska et al., 2020, the long-term economic and distributional implications of African RTA have been quantified. The results showed that the RTAs in the region have led to trade facilitation, elevation of poverty, and increase in employment and wages of female as well as male workers. The simulation results suggested that joining such agreements has to potential to double the wage gap between skilled and unskilled laborers.

2.4 Effects of Regional Trade Agreements on Balance of Payment

The economically robust economies have achieved positive and sustained growth by joining more than one international market (Romero et al. 2020). There is a positive impact of trade openness on FDI inflows; and the moderating role of FTAs seems to have a significant effect on the relation between trade openness and FDI inflows (Vo Quy Thi et al., 2021). The research was mainly conducted to study the correlation between trade openness and FDI inflows to EUROPEAN UNION nations in tandem with the moderation effect of Free Trade Agreements (FTAs). Huang Yuhao (2019), has studied and explored the bilateral trade between China and EUROPEAN UNION and how it is impacted by the Chain-AEAN Free Trade Area. He found in his study that the effective use of FDI can indirectly catalyze bilateral growth. Studies analyzing the impacts of tariff liberalization on FDI and trade have also been conducted. The opportunity to join free trade agreements promotes better economic growth for all the participating countries (Mun Kwon, 2020). In the research work by Romero et al, (2020), the complementarity of the participating countries in a particular FTA was examined and their long-term growth was analyzed. The study found a positive impact of joining an FTA in attaining long-term growth. In a study by Ang and Sek (2011), a comparative study was conducted analyzing the effects of free trade agreements and determinants of current account balances. The study revealed that explanatory factors like- reserve accumulation, productivity, and exchange rate have different levels of impact on the current account position of the countries. Saadaoui (2011) has talked about the increasing overseas opportunities for investments having a positive impact on relative capital account openness. The rationale presented in the study states that investment openness allows an increase in the flow of investments, leading to a better current account

position. On the same lines, the impact of determinants of the current account balance of the emerging and developed countries was analyzed by Das (2012). In his study, the author found a positive correlation of current account balance with trade openness, net foreign assets, and exchange rate. While the current account balance is negatively correlated to real exchange and real GDP growth. The causality analysis of foreign direct investment and current account deficit is also checked in a study by Kaur and Gautam (2012). The results of the study showed a co-integration between foreign direct investment and current account deficit.

2.5 Trade between India- European Union

The focus of the Indian economy was majorly on the Western countries when it started to trade with other countries. Some of the prominent players from the West are- the United Kingdom, The United States, the Soviet Union, etc. These are some of the closest trade partners of India with which India has traded even before its independence (Longanathan S. et al. 2020). As the formation of the European Community got underway, India turned out to be the first among the Asian economies not only recognizing this community but also starting to trade with this community. India is one of the South Asian countries to have established trade relations with the European Economic Community (EEC) (Bharti S. S., 2023). Studies have been conducted on the evolution and development of cooperation between India and EEC. Bharti S. (2023) has focused on the evolution and found a major shift in 2004 as India, being the only economy from the South Asian region, became a strategic partner with the EU. The results of the study showed that the strategic trade relations between India and the EU have strengthened in the past decade. In addition to this, some significant trade relations are also there in the pipeline to formulate the Free Trade Agreement through the dialogues. Longanathan S. et al. (2020) have studied the pattern of trade relations between India and the EU by applying the Gravity model. The results empirically asserted a very low potential for trade growth of India in the region of Europe. The study also showed the scope of unnatural trade, which might result in welfare losses to both counterparts if the story continues to be the same. Rather, India has more trade growth potential in the Southeast Asian region, as India is an emerging power in this region. Talking of the trade potential, then the decline in the overall trade flows in and around the world has been significantly affected by the pandemic hit. No nation or economy was left out; it’s just the

degree which differed individually. India's relations with the EU were also affected and driven by the pandemic to a great extent (Bhandari and Gambhir, 2020). In the case of India and the EU, an FTA was suggested to be the solution to mend the situation of bilateral relations; before, during, and after the pandemic. The aftermath duration of the pandemic was the best time to resolve the differences and come together to finalize the Bilateral Trade and Investment Agreement (BTIA). During the hard times of the pandemic, the EU realized that despite being a developed region it still had to depend upon the supply of medicine from India. This has worked as an aligning juncture between the two counterparts. Along with this, the EU has also realized that it will need a skilled and professional medical and paramedical workforce. This requirement can be served by India and hence EU has to alleviate the restrictions on the movement of the Indian diaspora in the region (Bhandari and Gambhir, 2020). This is not the first time when India and the EU were urged to deal with each other. The same was repeated after the end of the Cold War. That was the time when India realized that it had to deal with Western counterparts to seek the required resources and markets to facilitate the development of the Indian economy. That was the time when India was actively involved with the EU to seek investments and development opportunities (Jain Rajendra K. 2012). In the results of his study, he suggested that the relations between India and the EU will grow despite the grueling differences over specific issues. Both counterparts will be engaged in long-term growth in areas like scientific and technological cooperation and movement of skilled persons etc. The trail of this trade engagement faced some political and economic turmoil, but despite that, it managed to continue. Rajendra M. Abhyankar (2012), mentioned in his study that- both the EU and India have the potential to become major players in this challenging yet internationally interdependent system of trade and development. He mentioned all of this based on common adherence to human rights, democracy, sustainable growth, etc.

Table 2: Summary Table of Review of Literature

Author	Year	Title	Impact of Regional Trade Blocs on Economic Development of Region	Impact of Regional Trade Agreements on Bilateral	Impact of Regional Trade Agreements on the Economic Growth of the	Effects of Regional Trade Agreements on Balance of Payment	India- European Union
Abhyankar, R.M.	2009	India and the European Union: A Partnership for All Reasons.					✓
Ahmed	2010	India-ASEAN Free Trade Agreement: A Sectoral Analysis		✓			
Asher, M.G., Sen, R. and Srivastava	2003	ASEAN-India: emerging economic opportunities.			✓		
Asongu, S., Akpan, U. S., & Isihak, S. R.	2018	Determinants of foreign direct investment in fast-growing economies: evidence from the BRICS and MINT countries.	✓				
Bhogal, P.	2018	India-ASEAN economic relations: Examining future possibilities	✓				
Batra, A.	2006	India's global trade potential: The gravity model approach		✓			
Bakshi, P., & Tayal, S. R.	2015	India-ASEAN economic engagement and its impact on Indian economy			✓		
Bharti, S.S.	2023	Evolution of the European Union Development Policy towards India					✓
Czerkawski, C., Suvannaphakdy, S., & Toyoda, T.	2011	Enhancing trade flows in the European Union plus six			✓		
Doumbe, E. D., & Belinga, T.	2015	A gravity model analysis for trade between Cameroon and twenty-eight European Union countries		✓			
Gulnaz, S., & Manglani, H.	2023	An Empirical Analysis of India-ASEAN Trade Dynamics	✓	✓			
Hur, J., & Park, C.	2012	Do free trade agreements increase the economic growth of the member countries?			✓		

Head, K., & Mayer, T.	2021	The United States of Europe: A gravity model evaluation of the four Freedoms	✓				
Huang, Y.	2019	The Impact of China-ASEAN Free Trade Area on Bilateral Trade and Its Enlightenment				✓	
Jain, R. K.	2012	The European Union as a global power: Indian perceptions					✓
Karagoz, K., & Saray, M. O.	2022	Trade potential of Turkey with Europe-Pacific countries: Evidence from the panel gravity model		✓			
Loganathan, Swetha & K J, Joshy & Victor, Vijay.	2020	Analysis of India's trade patterns and trade possibilities with the European Union					✓
Maliszewska, M., van der Mensbrugghe, D., Pereira, M. F. S., Osorio Rodarte, I., & Ruta, M.	2020	African Continental Free Trade Area: Economic and Distributional Effects.			✓		
Martínez-Zarzoso, I., & Nowak-Lehmann, F.	2003	Augmented gravity model: An empirical application to Mercosur-European Union trade flows.	✓				
Martinez-Zarzoso, I.	2003	Gravity model: An application to trade between regional blocs	✓				
MCHANI, S.	2022	The impact of regional trade agreements on bilateral trade flows: A Systemic Literature Review		✓			
Okabe, M.	2019	The impacts of ASEAN FTAs on trade in goods	✓				
Olayungbo, D. O., & Iqbal, B. A.	2021	). An empirical analysis of African trade blocs effects on the global economy: new evidence from the gravity model.			✓		
Poduval, V., Madiwala, S., Mahamuni, M., & Dhakane,	2021	Impact of FDI from ASEAN in India	✓				
Quintana-Romero, L., Mun, N. K., Andrés-Rosales, R., & Álvarez-	2020	Trade complementarity and the balance of payments constraint hypothesis: A new free trade agreement between Mexico and South Korea.				✓	

García, J.							
Singh, L. B.	2021	Impact of India-ASEAN Free Trade Agreement: An Assessment from the Trade Creation and Trade Diversion Effects		✓	✓		
Thangavelu, S. M., Narjoko, D., & Urata, S.	2021	Impact of FTA on trade in ASEAN and Australia using customs level data	✓				
Urata, S.	2002	Globalization and the growth in free trade agreements			✓		
VO, T. Q., & HO, H. T.	2021	The relationship between foreign direct investment inflows and trade openness: Evidence from ASEAN and related countries				✓	
Yong, T. T., & Mun, S. C.	2009	The evolution of India–ASEAN relations		✓			
Yao, X., Zhang, Y., Yasmeen, R., & Cai, Z.	2021	The impact of preferential trade agreements on bilateral trade: A structural gravity model analysis		✓			
Yadav, C. S.	2022	Trend and Structure of India-ASEAN Trade	✓		✓		
Yue, C. S.	1996	ASEAN strategies on foreign direct investment and prospects for ASEAN-India investments				✓	

3. RESEARCH GAPS

After a thorough study of the available literature and research works in the concerned domain, the following research gaps have been identified-

- The current investment scenario and opportunities with the member countries of the European Union have not been researched much and hence remain a significant research gap.
- India not being a member of the European Union, very limited studies have been found analyzing the current account deficit of India with the European Union.
- The number of studies is very limited which has focused on the trade scenario of India with EU27 countries and the United Kingdom after Brexit.
- Limited studies were found that studied the non-economic benefits of the European Union-India Free Trade Agreement.
- Very few studies were found analyzing the impact of RTBs on the production, consumption, and

welfare of a country.

4. RESEARCH QUESTIONS

Based on the review of the literature, the researcher has raised the following research questions-

- What is the relevance of Regional Trade Blocs in the era of Free Trade?
- Does trade with regional trade blocs help in the economic development of an economy?
- Does the government of India have any separate trade policy for regional trade blocs?
- What is the latest current account balance of India concerning the European Union?
- What is the foreign direct investment of India with the European Union?
- What opportunities have been created by EU member countries for Indian companies after COVID-19?
- What is the importance and shape of the EU after Brexit?

5. STATEMENT OF THE PROBLEM

India has been actively engaged in enhancing international trade relations and has signed thirteen FTAs to date (investindia.gov.in). Being a traditional trade partner of India, the European region is one of the prominent regions for India, economically, socially, and politically. Dealing with a regional trade bloc is not the same as dealing with a trade partner individually, especially when the RTB majorly consists of developed countries. Therefore, the present study will try to know the contribution of the European Union to India's international trade- Current Account Balance and Foreign Investments (Capital Account Balance), in the past, present, and future.

6. NEED OF THE STUDY

The present study is an attempt to know the role of the European Union in India's trade. India, being one of the emerging economic powers of the region of South Asia has to play a significant role in the development and its trade position with the developed countries will redefine its status in its region. Therefore, a study to know the trade ties and current account balance position of India with the European Union (being a developed region and a traditional trading partner of India) needs to be conducted. The rationale behind taking the European Union is Brexit, as any further trade agreement between India and the EU would be exclusive of the United Kingdom. Hence, the analysis of the

potential benefits will be restricted to EU.

7. OBJECTIVES OF THE STUDY

The proposed study shall achieve the following objectives-

1) To study India's foreign trade policies in general and Regional Trade Blocs- EU, in particular.
2) To analyse the Current Account Balance of India with EU.
3) To analyse the Capital Account Balance of India with EU.
4) To find out the problems and challenges in trade ties with EU.
5) To propose an action plan for favourable current and capital account balance of India with EU27

8. CONCEPTUAL FRAMEWORK

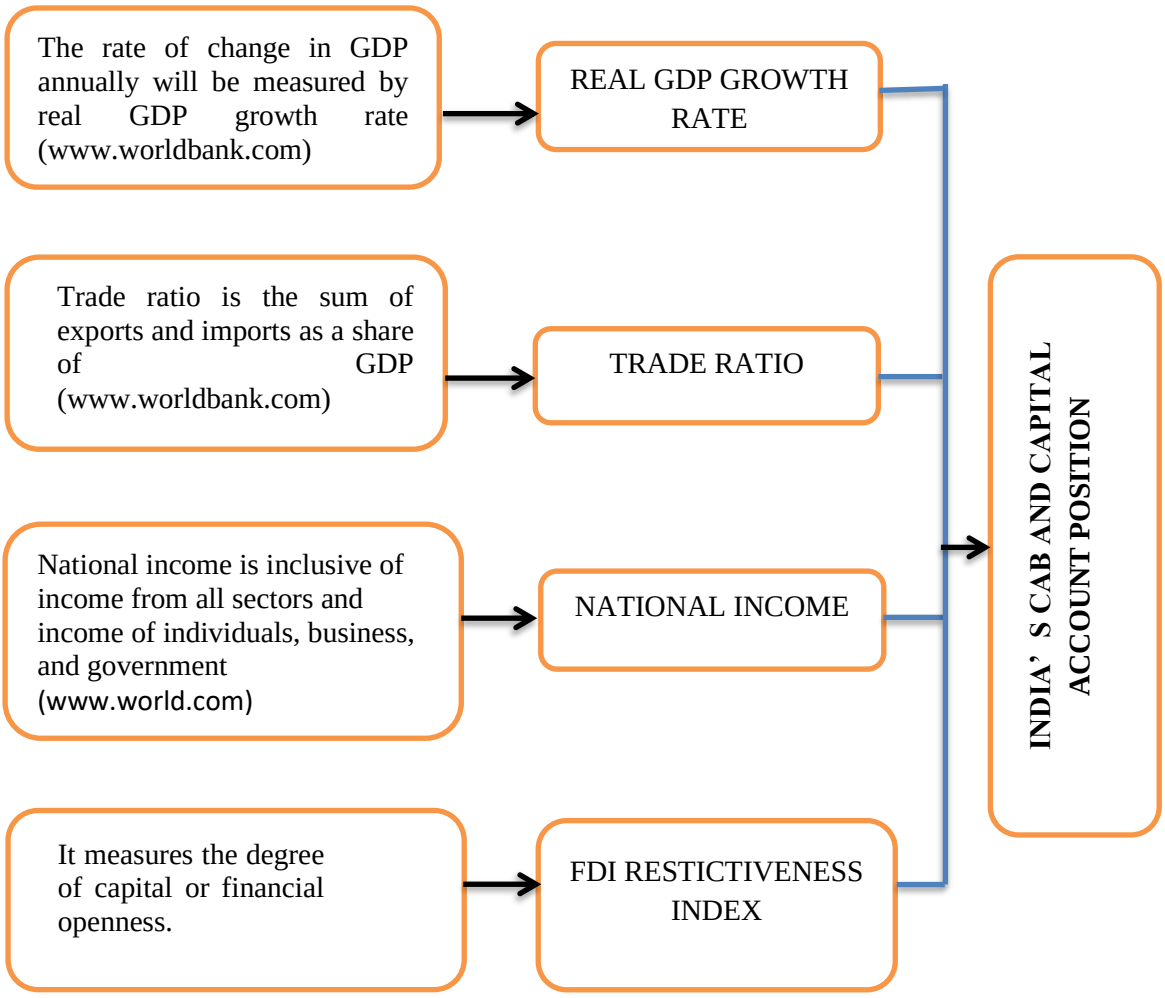
The rate of change in GDP annually will be measured by real GDP growth rate (www.worldbank.com)
REAL GDP GROWTH RATE
Trade ratio is the sum of exports and imports as a share of GDP (www.worldbank.com)
TRADE RATIO
National income is inclusive of income from all sectors and income of individuals, business, and government (www.world.com)
NATIONAL INCOME
It measures the degree of capital or financial openness.
FDI RESTICTIVENESS INDEX
INDIA' S CAB AND CAPITAL ACCOUNT POSITION

Figure 8: List of Variables

9. RESEARCH DESIGN AND METHODOLOGY

9.1 Hypotheses

The study will be conducted to test the following hypotheses which have been formulated based on

the review of the literature-

The trade policy of any country determines how well its economic relations are with the rest of the world or with its trading partners **(Corden Max, 1997)**. One of the ways to measure economic relations is in terms of the exchange of goods and services between two or more countries, and the current account balance is nothing but a reflection of a country's exports and imports of goods and services **(Ramakrishna G, 2011)**. Therefore, it will be worth noting if there exists any relation between trade policy and CAB.

Therefore, the following hypothesis is formulated:

H_{01}: Trade policy and CAB situation are independent of each other.

There are chances that despite being in a particular region the CAB position of the trading countries might differ over a period of time because of changing economic and geo-political scenarios (Agarwal Anuradha, 2017). Therefore, the following hypothesis attempts to study and analyze the same.

H_{02}: During the study period, there is a significant change in India's Current Account Balance with EU.

H_{03}: During the study period, there is a significant change in India's Capital Account Balance with EU.

Regional trade blocs are a vital tool in catalyzing international trade between two or more countries in a particular region **(World Bank Documents and Reports)**. As every region is slightly different in a political and cultural sense and might need a separate trade policy addressing it in particular, therefore it is crucial to check the importance of having a separate trade policy for separate RTBs.

Therefore the following hypothesis is formulated-

H_{04}**: There should be a specific operational trade policy for specific Regional Trade Bloc.**

9.2 Variables of the Study

In the present study, the researcher has identified the following variables:

Table 3: Variables of the Study

Dependent Variable	• Change in India's CAB and Capital Account Balance.
Independent Variables	• GDP of member countries of the European Union and India • Trade Ratio • National Income • FDI restrictiveness index • Openness Rate (total trade/real GDP). • Net Capital Flows (inwards and outwards)

9.3 Scope of the Study

The present study will be based on the trade-related data of merchandise, services, investment, and current account balance of India along with the European Union.

9.4 Duration of the Study

The present study will undertake the data from 2011 to 2025.

9.5 Data Collection

The present study will utilize the primary and secondary sources of data collection for examination, evaluation, and analysis.

a) Primary Data-

To collect the primary data the government officials of trade associations, exporters, and academicians will be contacted in due course of action.

b) Secondary Data-

Secondary data will be collected through authenticated publications of the Ministry of Finance, Ministry of Commerce,rbi.org.in, dgft.gov.in, and investing.in, UNCTAD, WTO, World Bank Group, IMF, official website of the European Union, official websites of member countries of the European Union, journals, magazines, books, and newspapers.

9.6 Statistical Tools for Analysis

In the present study, the research work will be categorized as qualitative as well as qualitative. To generate reliable results and inferences, statistical techniques of both types will be used i.e. descriptive as well as inferential. Regression analysis, Unit Root Test, Granger Causality, VAR model, panel models, etc.

9.7 Research Methodology

Table 4: Objective-wise Research Methodology

Objectives	Research Methodology
To study India's foreign trade policies in general and Regional Trade Blocs- EU in particular.	To review the trade policies of India, official websites related to international concern will be undertaken, like- commerce.gov.in, ministry of finance, and indiantradeportal.in, dgft.gov.in, inestindia.gov.in, etc . Secondary data will be collected from the same for the study.
To analyse the Current Account Balance of India with EU.	Time series analysis will be done based on the secondary data available to ascertain the slope of the current account balance.
To analyse the Capital Account Balance of India with EU.	Time series analysis will be done based on the secondary data available to ascertain the slope of the capital account balance.
To find out the problems and challenges in trade ties with EU.	A review of the literature being carried out during the research process will be used along with the data gathered during the study for achieving this objective.

10. SOCIAL IMPACT OF THE STUDY

The European Union has emerged as a strategic trade bloc not only for the countries of Europe but also for the world. The reason is its fast-paced growth which further provides markets to the emerging economies of the world along with access to advanced and innovative know-how of technology, business, etc. With all these benefits, having a firm position among these nations will provide a strong strategic hold to any country within the region of Europe and the West, and that's why it becomes important for India to look after this sincerely. Therefore, in the name of the growth and welfare of its exporters and importers indulged in trade with the member countries of the EU along with the diaspora already living there and the ones who are looking forward to being in those countries, it becomes essential for India to carefully analyze and ameliorate its trade relations. The outcomes of the present will guide the respective policymakers by providing the desirous analysis and suggestions. It will also help the general citizens of India who are planning to move to European Countries to speculate about the situation and make decisions accordingly.

11. PROPOSED CHARACTERIZATION

1. Introduction- Meaning of International Trade, India and International Trade, European Union, India's Trade Ties with European Union- Past and Present.
2. Review of Literature and Research Gap

3. Research Design and Methodology
4. Data Analysis and Hypotheses Testing
5. Findings, Conclusions and Suggestions

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Data & Statistic | Department of Economic Affairs | Ministry of Finance | Government of India (dea.gov.in)

M-commerce

Website of Ministry of Commerce and Industry| National Portal of India

Directorate General of Foreign Trade | Ministry of Commerce and Industry | Government of India (dgft.gov.in)

GOVERNMENT OF INDIA Ministry of Commerce

Reserve Bank of India (rbi.org.in)

Foreign Investment Facilitation Portal, INDIA (fifp.gov.in)

FDI Policy in India | Invest India

India's FDI Policy - IndBiz | Economic Diplomacy Division | IndBiz | Economic Diplomacy Division

M-commerce

The apex body of Indian Exporters (fieo.org)

M-commerce

The All India Exporters' Chamber (aiechamber.org)

Indian Importers Chambers – Indian Importers Chambers

Indian Trade Portal

Home (phdcciinternational.in)

Home - EUROPEAN UNION Main Portal

Home (unctad.org)

UN Comtrade

Trade Statistics by Product (HS 6-digit) (worldbank.org)

Detailed Trade Data by Country - UN Comtrade - UN Statistics Wiki

IMF Data